Workers Party, hostile to both Stalinist Russia and capitalist America, reviled the bombings as the work of "Wall Street Militarists."

If Washington's purpose really was to intimidate the Soviets, Boller concludes, it is strange that Moscow's friends in the United States did not get the message.

ECONOMICS, LABOR & BUSINESS

Who's Turning Out the Lights?

"Our Stake in the Electric Utility's Dilemma" by Peter Navarro, in *Harvard Business Review* (May-June 1982), Subscription Service Dept., P.O. Box 3000, Woburn, Mass. 01888.

Since the late 19th century, regulated utility companies have helped foster American economic growth with abundant, relatively cheap electricity. However, because the industry is starving for new capital, those happy days may soon be over.

Until the early 1970s, the low costs of capital and fuel allowed the industry to expand rapidly, holding down expenses through economies of scale. But Navarro, a Harvard researcher, writes that the oil price hikes and inflation of the 1970s reversed the equation. Expansion today only boosts costs. And state regulators, under political pressure to keep consumers' monthly utility bills down, are reluctant to grant compensatory rate increases. The result: depressed bond ratings and lower stock values, raising the cost of capital still further.

During the 1980s, the demand for electricity is expected to grow by three percent annually; new coal or nuclear plants will be needed—at a cost of some $300 billion. It will take another $50 billion to replace or convert uneconomical oil- and gas-fired plants. But if capital costs for investment remain high, output will probably grow by only one to two percent annually during the decade. As overall supplies tighten, selective "brownouts" are likely, particularly in the Pacific Northwest and Colorado. The effects could include factory relocations abroad, slower adoption of new energy-intensive technologies (e.g., word-processing equipment), and a more sluggish economy.

Consumers will pay a "petroleum penalty" for the industry's troubles. More than half the new coal- and nuclear-fueled power plants scheduled for completion by 1988 have been delayed by an average of 20 months, mostly because of the capital squeeze; and two-thirds of "coal-convertible" plants still use oil. (In the Northeast alone, a $1.3 billion conversion investment could save consumers $5.2 billion.)

Navarro urges state regulators and Washington to come to the rescue. Utilities must be allowed a fair return on investment. And a speedup of federal plant-licensing procedures will be necessary to insure adequate electricity for the future.